

## Message Text

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ACTION OPIC-06

INFO OCT-01 ARA-10 ISO-00 EB-08 COME-00 /025 W  
-----095830 051113Z /15

R 041945Z AUG 77  
FM AMEMBASSY SAN JOSE  
TO SECSTATE WASHDC 8292

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STATE PASS OPIC

E.O. 11652: N/A  
TAGS: EFIN CS  
SUBJ: COCOA PROJECT

REF: STATE 170081

1. FRED KENT CALLED AT THE EMBASSY APPROXIMATELY THREE MONTHS AGO SEEKING POSSIBLE SOURCES OF FINANCING TO PLANT 100 TO 200 ACRES OF COCOA. HE STATED THAT FINANCING HAD NOT BEEN FORTHCOMING FROM THE LOCAL NATIONAL BANKING SYSTEM, AND HE DESIRED INFORMATION ON US AID AGRICULTURE CREDIT PROGRAMS. EMBOFF POINTED OUT THAT THE AID AGRICULTURE CREDIT PROGRAM WAS AIMED AT SMALL SIZED FARMS, OPERATED THROUGH COSTA RICAN INSTITUTIONS SUCH AS GOVERNMENT-OWNED BANKS AND MINISTRY OF AGRICULTURE, AND WOULD NOT APPEAR TO BE APPLICABLE TO HIS SITUATION. KENT'S CARD INDICATES HE IS AN ATTORNEY IN THE FIRM OF KENT, SEARS, DURDEN AND KENT, JACKSONVILLE, FLORIDA. DR ROBERT HUNTER IS A LONG-TIME US RESIDENT OF COSTA RICA, VERY WELL RESPECTED LOCALLY FOR HIS TECHNICAL EXPERTISE IN COCOA DEVELOPMENT AND PRODUCTION AND APPARENTLY ENJOYS A FAVORABLE WORLDWIDE REPUTATION IN HIS FIELD.

2. DAVID LANDO CALLED AT THE EMBASSY AUGUST 1 TO EXPLAIN THE COCOA PROJECT, DESCRIBING HIMSELF AS A 20 PERCENT OWNER AND MANAGER OF THE FINCA CUATRO RIOS. THE OTHER INDIVIDUALS MENTIONED IN THE REFTEL  
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ARE NOT KNOWN TO THE EMBASSY. AS DESCRIBED BY LANDO THE PROJECT INVOLVES THE GRADUAL CONVERSION OF APPROXIMATELY THIRTY PERCENT OF THE 2,000-ACRE FINCA CUATRO RIOS TO THE PRODUCTION OF COCOA USING WHAT APPEAR TO BE CONVENTIONAL METHODS OF CULTIVATION AND FERMENTATION. ALL COCOA PRODUCTION WOULD BE SOLD TO HERSHEY FOR EXPORT TO THE US. THERE COULD BE A TECHNOLOGICAL INNOVATION IF IMPROVED HYBRID COCOA PLANTS BEING DEVELOPED BY DR HUNTER ARE USED.

3. THE EMBASSY'S COMMENTS ON THE DESIRABILITY OF OPIC INVOLVEMENT IN THIS PROJECT ARE MADE IN THE CONTEXT OF THE AGREED POLICY (74 SAN JOSE 2971 AND 75 SAN JOSE 4312) ON OPIC INSURANCE FOR AGRICULTURE PROJECTS. ON THE BASIS OF THE PRESENT INFORMATION AVAILABLE, WE DO NOT BELIEVE THAT THIS PROJECT MEETS THAT CRITERIA FOR THE FOLLOWING REASONS: A) FIRST, THE PROJECT INVOLVES A TRADITIONAL COSTA RICAN CROP TO BE PRODUCED IN A CONVENTIONAL MANNER. OPIC PARTICIPATION IN THIS PROJECT COULD HAVE WIDER IMPLICATIONS FOR OTHER TRADITIONAL CROPS IN COSTA RICA SUCH AS COFFEE, SUGAR, AND BEEF CATTLE. B) FINANCING FOR TRADITIONAL CROPS IN COSTA RICA IS NORMALLY PROVIDED THROUGH THE LOCAL NATIONALIZED BANKING SYSTEM. THE CENTRAL BANK, THROUGH THE NATIONAL BANKS, HAS ESTABLISHED A SPECIAL LINE OF CREDIT FOR COCOA PROJECTS WITH SIX-YEAR TERMS, THREE-YEAR GRACE, AND 10 PERCENT INTEREST. WE UNDERSTAND FROM LANDO THAT A CREDIT APPLICATION FOR THE PROJECT HAS BEEN PENDING AT BANCO DE COSTA RICA FOR OVER SIX MONTHS. IF THE GOVERNMENT, THROUGH THE NATIONAL BANKING SYSTEM, IS NOT DISPOSED TO FINANCE THIS PROJECT, WE QUESTION WHETHER OPIC SHOULD DO SO. C) THERE DO NOT APPEAR TO BE ANY SIGNIFICANT DEVELOPMENTAL ASPECTS IN TERMS OF TECHNOLOGY TRANSFER, MANAGERIAL EXPERTISE, OR NEW AND MORE EFFICIENT PRODUCTIONS METHODS. D) THERE DOES NOT APPEAR TO BE ANY LOCAL EQUITY PARTICIPATION IN THE PROJECT.

4. FINALLY, WE QUESTION WHETHER OPIC'S PARTICIPATION IN THE PROJECT WOULD BE CONSISTENT WITH RECENT VIEWS EXPRESSED BY ADMINISTRATION LIMITED OFFICIAL USE

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SPOKESMEN, E.G. (ASSISTANT SECRETARY BERGSTEN'S STATEMENT TO THE SENATE SUB-COMMITTEE ON FOREIGN ASSISTANCE JULY 27) TO PLACE MAXIMUM EMPHASIS ON DEVELOPMENT AND TO CONFINE OPIC'S PROGRAMS TO THE LESS DEVELOPED COUNTRIES, EXCLUDING THE ADVANCED OR "UPPER MIDDLE INCOME" COUNTRIES EXCEPT FOR MINERAL AND FUEL PROJECTS APPROVED BY THE BOARD AND EXCEPTIONS RECOMMENDED BY THE SECRETARY OF STATE ON NATIONAL INTEREST GROUNDS. WEISSMAN

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## Message Attributes

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**Review Markings:**  
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